Revised Management's Discussion & Analysis

For the quarter ended March 31, 2014

Revised: May 6, 2014

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and notes to the condensed consolidated interim financial statements of Mandalay Resources Corporation ("Mandalay" or the "Company") for the quarter ended March 31, 2014, and the Company's annual information form dated March 28, 2014 (the "AIF"), as well as other information relating to the Company on file with the Canadian provincial securities regulatory authorities on SEDAR at www.sedar.com. The Company's reporting currency is the United States dollar and all amounts in this MD&A are expressed in U.S. dollars unless otherwise stated. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS").

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

This MD&A contains forward-looking statements. Please refer to "Cautionary Statement Regarding Forward Looking Statements" at the end of this MD&A for a discussion of some of the risks and uncertainties associated with forward-looking statements.

This MD&A contains reference to non-IFRS measures. Please refer to Section 1.16 "Non-IFRS Measures" at the end of this MD&A for the list of these measures and their definitions.

Revisions:

This MD&A has been revised and replaces Mandalay's Management's Discussion and Analysis for the quarter ended March 31, 2014 dated and filed with the Canadian Securities Administrators on SEDAR on May 5, 2014 (the "Originally Filed MD&A"). A software error was discovered overnight which dislocated the numbers in the tables presented in the section headed "1.4 RESULTS OF OPERATIONS", sub-section "Costerfield financial results" on page 14 and in sub-section "Cerro Bayo financial results" on page 18, but the numbers mentioned in the text were correct. These tables have now been revised to reflect the correct numbers that ties to the text in the body of the Management's Discussion and Analysis. This revised MD&A does not reflect a change in the financial position of the Company or involve any restatement of previously published financial results included in the Originally Filed MD&A, but is rather intended to rectify a software linking error in figures of the two tables.

FIRST QUARTER 2014 FINANCIAL AND OPERATING HIGHLIGHTS

1. Financial Highlights

- Quantities of metal sold during the quarter were 11,850 ounces ("oz") gold ("Au"), 772,116 oz silver ("Ag") and 624 tonnes ("t") antimony ("Sb") compared to 9,996 oz Au, 631,736 oz Ag and 755 t Sb in the first quarter of 2013. Prices realized during the quarter were $1,353/oz for gold, $20.29/oz for silver and $10,239/t for antimony in 2014 versus $1,587/oz for gold, $28.40/oz for silver and $10,358/t for antimony in the same period in 2013.
- Revenues in the quarter were$38.1 million (including favorable revenue adjustments of $1.2 million related to unsettled open shipments for the prior quarters) as compared with $41.6 million in the first quarter of 2013 (including adverse revenue adjustments of $0.7 million related to unsettled open shipments for the prior quarters). Lower realized metal prices, partially offset by increased sales volumes resulted in lower revenue compared to the previous year quarter. Income from mining operations before depletion and depreciation was $17.7 million in the first quarter of 2014 compared with $21.6 million in the first quarter of 2013.
- Net income during the quarter was $5.7 million ($0.02 per share) compared with $10.9 million ($0.03 per share) in the first quarter of 2013.
- Income after tax from underlying operations [1] in the current quarter was $7.2 million ($0.02 per share) compared with $11.01 million ($0.03 per share) in the first quarter of 2013.
- The cash cost of silver production at Cerro Bayo was $5.81 per oz Ag produced net of Au credits and the site all-in cost achieved was $11.31 per oz Ag net of Au credits compared to $8.96 and $14.06 respectively in the first quarter of 2013.
- Cash cost[2] of production at Costerfield in the quarter was $800 per gold equivalent ounce ("Au Eq. oz") produced and the site all-in cost[2] was $1,052 per Au Eq. oz produced compared to $948 and $1,177, respectively in the first quarter of 2013.
- Dividends paid in the first quarter of 2014 were $2.3 million (C$0.0077 per share) compared to $3.2 million (C$0.01 per share) in corresponding quarter of the prior year.
- During the first Quarter of 2014 the company spent $7.5 million in cash and issued 12 million common shares for the acquisition of the Challacollo Ag development project in Northern Chile.
- Capital expenditures during the first quarter of 2014 were $3,790,599 at Cerro Bayo and $6,322,044 at Costerfield.
- During the first quarter of 2014, 30,600 common shares were purchased for $0.02 million (C$0.77 per share) under the Company's 2013 NCIB program.
- At March 31, 2014, the Company had $20 million of cash and cash equivalents and held an undrawn $30 million revolving credit facility.

[1] Income after tax from underlying operations is a non-IFRS performance measure. Refer to Section 1.16 "Non-IFRS Measures" on page 31 for further information.

[2]Cash cost and site all-in costs are non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS Measures" on page 31 for further information.

2. Operating Highlights

a. Consolidated Production and Sales

In the first quarter of 2014, Mandalay produced 13,195 oz Au, 743,569 oz Ag and 858 t Sb, representing 31,449 Au Eq. oz. Production in the first quarter of 2013 was 10,635 oz Au, 611,441 oz Ag and 766 t Sb, representing 27,128 Au Eq. oz during the first quarter of 2013.

The increase in production at Costerfield was the result of significantly higher tonnes mined and processed than in the previous year. This reflects the beginning of production from the Cuffley lode. At Cerro Bayo, the mine operations continued to increase tonnage throughput as the mine ramps up toward its targeted 1400tonnes per day (“tpd”) expanded design. Sales were lower than production during the quarter mainly due to the timing of shipments at Costerfield and a Chilean port strike which resulted in minor shipping delays in the quarter.

Both mines achieved significantly better cost performance than the prior quarter and prior year equivalent periods as a result of increasing throughput, good cost control and better exchange rates.

Saleable Production

Metal	**Source**	**3 months to 31 March 2014**	**3 months to 31 March 2013**
Gold (oz)	Costerfield	7,915	6,203
	Cerro Bayo	5,280	4,432
	Total	**13,195**	**10,635**
Antimony (t)	Costerfield	**858**	**766**
Silver (oz)	Cerro Bayo	**743,569**	**611,441**
Average quarterly prices:			
Gold US$/oz		1,292	1,630
Antimony US$/tonne		9,758	11,128
Silver US$/oz		20.47	30.03
Au Eq. (oz)[1]	Costerfield	14,391	11,432
	Cerro Bayo	17,058	15,696
	Total	**31,449**	**27,128**

[1] Au Eq. oz produced is calculated by multiplying the saleable quantities of Au, Ag and Sb in the period by the respective average market price of the commodities in the period, adding the three amounts to get “total contained value based on market price”, and then dividing that total contained value by the average market price of Au in the period. Average Au price in the period is calculated as the average of the daily LME PM fixes in the period, with price on weekend days and holidays taken from the last business day; average Sb price in the period is calculated as the average of the high and low Rotterdam warehouse prices for all days in the period, with price on weekend days and holidays taken from the last business day; average Ag price in the period is calculated as the average of the daily London Broker’s silver spot price for all days in the period, with price on weekend days and holidays taken from the last business day. The source for all prices is www.metalbulletin.com.

Sales

Metal	Source	3 months to 31 March 2014	3 months to 31 March 2013
Gold (oz)	Costerfield	7,046	5,881
	Cerro Bayo	4,804	4,115
	Total	**11,850**	**9,996**
Antimony (t)	Costerfield	**624**	**755**
Silver (oz)	Cerro Bayo	**772,116**	**631,736**
Average quarterly prices:			
Gold US$/oz		1,292	1,630
Antimony US$/tonne		9,758	11,128
Silver US$/oz		20.47	30.03
Au Eq. (oz)2	Costerfield	11,757	11,033
	Cerro Bayo	17,033	15,753
	Total	**28,790**	**26,786**

[2] *Au Eq. oz sold is calculated by multiplying the quantities of Au, Ag, and Sb sold in the period by the respective average market prices of the commodities in the period, adding the three amounts to get a "total contained value based on market price", and then dividing that total contained value by the average market price of Au in the period. The source for all prices is www.metalbulletin.com, with price on weekend days and holidays taken from the last business day.*

b. Costerfield Gold-Antimony Mine, Victoria, Australia

i. *Production* — Saleable Au production for the first quarter of 2014 was 7,915oz versus 6,845oz in the previous quarter and 6,203oz in the first quarter of 2013. Saleable antimony production for the first quarter of 2014 was 858 t versus 805 t in the previous quarter and 766 t in the first quarter of 2013.Higher production in the current quarter compared to the corresponding quarter of the previous year was mainly due to higher mine output and plant throughput and a full quarter of operation of the new gold room, which has increased the proportion of gold recovered to gravity concentrate.

ii. *Operating Costs* — Cash cost per Au Eq. oz produced in the first quarter of 2014 was $800 versus $850 in the previous quarter and $948 in the first quarter of 2013. The lower cash cost per oz in the first quarter of 2014 was due to the combined impacts of higher production, good total spending control and the effect of lower currency exchange rates. The site all-in cost per Au eq. oz produced in the first quarter of 2014 was $1,052, versus $1,085 in the previous quarter and $1,177 in the first quarter of 2013.

c. Cerro Bayo Silver-Gold Mine, Aysen, Chile

i. *Production* —Cerro Bayo produced 743,569 oz Ag and 5,280 oz Au in the first quarter of 2014 versus 878,542 oz Ag and 5,272oz Au in the previous quarter and 611,441 oz Ag and 4,432 oz Au in the first quarter of 2013.Tonnage production at Cerro Bayo was essentially stable in the quarter, the previous quarter, and the year-ago quarter. The variation in production quantities can be almost entirely attributed to normal variations in the ore grade processed during the respective quarters.

ii. *Operating Costs* —Cash cost per saleable oz Ag produced net of Au credits was $5.81 in the first quarter of 2014 versus $6.74 in the previous quarter and $8.96 in the first quarter of 2013.Cash cost per oz were lower in the first quarter of 2014 compared to corresponding quarter of 2013 due to the combined impacts of higher metal units produced, good cost performance and advantageous currency exchange rates. Lower cash cost per oz in the first quarter of 2014 compared to previous quarter were principally due to higher gold credits achieved arising from a higher Au price. The site all-in cost per oz Ag produced net of Au by-product credit was $11.31 in the first quarter of 2014 versus $11.51 in the previous quarter and $14.06 in the first quarter of 2013.

3. Acquisitions

Challacollo

During the first quarter of 2014, the Company completed its acquisition of the Challacollo silver property in northern Chile from Silver Standard Resources, Inc. in accordance with the terms announced in December, 2013. For further information of the Challacollo acquisition please refer to “Challacollo Acquisition” in Section 1.2 “Portfolio and Operational Review”.

4. Exploration

a. **Cerro Bayo**

Mandalay completed 5,947 meters of exploration drilling during the first quarter of 2014.Exploration activity in the first quarter was primarily focused on wide spaced drilling under Laguna Verde, targeting the projected extensions of the Fabiola, Yasna, and Coyita veins. On February 13, 2014 the Company announced its increased mineral reserves and resource estimates for the year ended 2013 (see press release dated February 13, 2014) and filed the supporting Independent Technical Report on www.sedar.com on March 28, 2014.

b. **Costerfield**

Mandalay completed 7,461 meters of drilling at Costerfield during the first quarter of 2014. The primary effort consisted of infill drilling for the Cuffley lodes and N-lode. On February 13, 2014 the Company announced its increased mineral reserves and resource estimates for the year ended 2013 (see press release dated February 13, 2014) and filed the supporting Independent Technical Report on www.sedar.com on March 28, 2014.

c. **Challacollo**

Mandalay completed planning forthe 12 month feasibility study it is conducting at Challacollo, began staffing the project, and began work during the first quarter of 2014.On February 7, 2014 the Company announced its initial resource estimate for the project (see press release dated February 7, 2014) and filed the supporting Independent Technical Report on www.sedar.com.

d. **La Quebrada, Chile**

Preliminary engineering studies continued at La Quebrada.

1.0 DATE

This MD&A is dated as ofMay5, 2014.

1.1 SUBSEQUENT EVENTS

Quarterly Dividend

On May 5, 2014, the Board of Directors declared a total dividend of US$2,285,511 orC$0.0074 per share, payable on May, 26 2014to shareholders of record as of May 16, 2014.

Proposed Debt Financing

On April 29, 2014 the Company announced US$50 million debt financing from Gold Exchangeable Limited, an unaffiliated special purpose vehicle incorporated in Jersey (the "Issuer"). The Company intends to use the net proceeds from the financing for general corporate purposes. The Company, through its wholly owned subsidiary Mandalay Resources Finance Limited (the "Borrower"), intends to borrow the proceeds of a US$50 million bond financing by the Issuer under the terms of a loan agreement and related funding agreement which together mirror the terms of the Bonds.

The Bonds, which will have a maturity date of five years from the issue date, will be issued at par and carry a coupon of 5.875% per annum payable quarterly in arrears. The Bonds will be exchangeable into ordinary shares of the NYSE Arca listed SPDR GOLD exchange tradable fund (the "GLD Shares") at an initial exchange price of US$149.99 which is a premium of 20% above the VWAP of GLD Shares on April 29, 2014 (equivalent to a gold price of approximately $1,556 per oz).

1.2 PORTFOLIO AND OPERATIONAL OVERVIEW

The Company is a Toronto-based mining company, the business of which is to acquire, discover, develop and produce mineral commodities. Its current emphasis is on gold, silver, antimony and copper in Australia and Chile. The Company uses its strong technical expertise and understanding of value creation to systematically increase the value of its assets through a disciplined approach of exploration, mining and processing optimization and operational efficiency. The Company’s current producing assets are its Costerfield gold-antimony mine in Victoria, Australia, and its Cerro Bayo silver-gold mine in Patagonia, Chile. It is completing a feasibility study on its Challacollo silver project near Iquique, Chile, and it is currently holding its La Quebrada copper–silver development project near La Serena, Chile. The company conducts exploration on near mine and district targets at its operating and feasibility stage projects.

Costerfield

Costerfield is a 100%-owned gold–antimony mine located in the state of Victoria, Australia, that was purchased by the Company in late 2009. Purchased while on care and maintenance, the mine was restarted immediately. Production has increased from an initial 170 tpd in 2009 to 420 tpd in the first quarter of 2014. The production increases (and associated unit cost reductions) are due principally to: a change in mining method from cut-and-fill to blast-hole stoping with cemented rock fill; increasing sublevel spacing from 5 m to 10 m; replacing the underground mobile mining fleet; introduction of a mobile crusher to decrease the particle size of mill feed (permitting high recoveries while increasing throughput) and construction of new gold room which has increased the proportion of gold recovered to gravity concentrate. In addition, rigorous improvements in maintenance and production processes in the mine and plant have led to increases in equipment availability and utilization as well as in labor productivities. Exploration (funded by mine operating cash flow) has added reserves at a faster pace than depletion during Mandalay ownership, building profitable mine life.

Cerro Bayo

Cerro Bayo is a 100%-owned silver–gold mine located in the Aysen Province of southern Chile, purchased while on care and maintenance by the Company in August, 2010. Mining operations were restarted in the fall of 2010 and milling operations were restarted in the first quarter of 2011. Key to the financial performance of the restarted operation have been: shifting the mining method to completely mechanized blast-hole open stoping; ramping up the operation to a total of 1,200 tpd from three mines; and developing four highly competitive concentrate customers. With the completion of the Delia NW mine, Cerro Bayo completed its planned ramp-up to a nominal 1,200 tpd rate in the first quarter of 2013 and maintained this production rate throughout 2013. An increase in the production rate to about 1,400 tpd was achieved as planned by the end of the first quarter of 2014, facilitated by the commissioning of a second access into the Delia NW vein. Exploration has added reserves at a faster pace than depletion during Mandalay ownership, building profitable mine life from a nominal three years to more than five today.

La Quebrada

La Quebrada is a 100% owned copper-silver project located near La Serena, Chile. Mandalay completed a maiden Independent NI 43-101 Mineral Resource estimate for the property in 2012, and since then has been performing mining, metallurgical, engineering and financial studies while developing options for the project.

Challacollo

On February 7, 2014, the Company completed its acquisition of Challacollo from Silver Standard Resources Inc. ("Silver Standard"). Challacollo is an epithermal silver deposit located in Region I, Northern Chile. It is centered approximately 130 kilometers ("km") southeast of the major port city of Iquique. The Company acquired 100% interest in Challacollo in exchange for the following consideration:

- US$7.5 million in cash; and
- 12 million common shares of Mandalay.

Contingent consideration to be delivered to Silver Standard under the Share Purchase Agreement includes:

- 5 million common shares of Mandalay to be issued at the end of the first quarter in which commencement of commercial production at the project occurs;
- an aggregate cash payment equal to the equivalent of 240,000 ounces of refined silver, payable in eight quarterly installments equal to the cash equivalent of 30,000 ounces of refined silver per quarter, based on the average silver price for each such quarter, beginning with the quarter immediately following the quarter in which commencement of commercial production at the

project occurs; and

- a 2% Net Smelter Returns royalty on silver sold or produced from the Project in excess of 36 million ounces, with a cap/buyout of US$5 million.

An independent NI 43-101 Mineral Resource estimate performed for Mandalay in connection with its acquisition of the project estimates that Challacollo contains 8 million oz Ag in the Indicated category and 24.3 million oz Ag in the Inferred category. The Company has begun a 12 month feasibility study on a potential underground mine and agitated leach operation.

1.3 SELECTED ANNUAL AND QUARTERLY INFORMATION

The following table sets forth a summary of the Company's financial results for the three months ended March 31, 2014, and March 31, 2013:

	Three months ended March 31, 2014 **$**	**Three months ended March 31, 2013** **$**
Revenue	38,091,844	41,624,688
Cost of sales	20,375,530	19,993,023
Income from mine operations before depreciation and depletion	17,716,314	21,631,665
Depreciation and depletion	7,284,181	5,846,599
Income from mine operations	10,432,133	15,785,066
Administration	1,415,813	1,644,724
Business development costs	273,835	148,859
EBITDA*	16,026,666	19,838,082
Finance costs, foreign exchange and others/(income)**	803,967	885,467
Income/(loss) before tax	7,938,518	13,106,016
Current tax expense	642,127	2,262,603
Deferred tax expense (recovery)	1,552,318	(60,701)
Net Income/(loss) after tax	5,744,073	10,904,114
Total assets	214,629,258	196,590,632
Total liabilities	44,343,720	44,324,175
Income per share	0.02	0.03

*EBITDA is a non-IFRS performance measure. Refer to Section 1.16 "Non-IFRS Measures" on page 31 for further information.

**Others includes such items as mark to market derivative adjustments, write off of mineral properties, exploration and evaluation, share based compensation and gain/loss on disposal of properties, if any.

Dividend

Mandalay's current policy is to pay 6% of the trailing quarter revenue as a dividend. The following table summarizes dividends paid by Mandalay in 2013 and 2014:

Declaration date		Payable to shareholders of record at	Dividends declared	Total payment
			C$	$
2014				
	February 18, 2014	March 10, 2014	0.0077	2,344,012
2013				
	February 20, 2013	March 7, 2013	0.01	3,197,278
	May 14, 2013	May 24, 2013	0.00769	2,435,070
	August 8, 2013	August 19, 2013	0.00690	2,151,365
	November 5, 2013	November 25, 2013	0.0097	3,025,965
				10,809,678

Normal Course Issuer Bid ("NCIB")

On October 10, 2013, the Toronto Stock Exchange (TSX) approved the Company's notice of intention to make a Normal Course Issuer Bid(the "2013 NCIB"). Pursuant to the 2013 NCIB, the Company may purchase for cancellation up to 16,185,328 common shares at prevailing market prices in the 12-month period commencing October 17, 2013 and ending on October 16, 2014. The purchase price for any shares purchased pursuant to the NCIB is financed from the Company's working capital.

During the three months ended March 31, 2014, the Company repurchased 30,600 common shares at an average price of C$0.77 at a cost of C$23,868 under 2013 NCIB.

The following table summarizes the Company's recent NCIB activity.

Details	**Average price C$**	**Shares**	**Warrants**
2012 NCIB (Oct 17, 2012 to Oct 16, 2013)			
Permitted to acquire		15,856,786	-
Acquired in 2013 (1 Jan to 16 Oct)	0.81	(2,335,100)	
2013 NCIB (Oct 17, 2013 to Oct 16, 2014)			
Permitted to acquire		16,185,328	-
Acquired in 2013 (17 Oct to 31 Dec)	0.78	(694,700)	-
Acquired in 2014 (1 Jan to 31 Mar)	0.77	(30,600)	-
Balance, March 31, 2014		**15,460,028**	

EBITDA Reconciliation to Net Income

The table below reconciles EBITDA to reported net income for the three months ended March 31, 2014, and March 31, 2013. EBITDA is a non-IFRS performance measure. Refer to Section 1.16 "Non-IFRS Measures" on page 31 for further information.

	Three months ended March 31, 2014		Three months ended March 31, 2013	
	$	$	$	$
Net Income/(loss)		5,744,073		10,904,114
Add: Non-cash and finance costs				
Depletion and depreciation	7,284,181		5,846,599	
Loss (gain) on disposal of property, plant and equipment	5,566		156,398	
Write off mineral properties/exploration and evaluation	294,362		-	
Share based compensation	356,835		478,100	
Interest and finance charges	234,635		203,926	
Fair value adjustments	(104,743)		169,470	
Current tax	642,127		2,262,603	
Deferred tax	1,552,318		(60,701)	
Foreign exchange (gain)/loss	52,143	10,317,424	(23,036)	9,033,359
		16,061,497		19,937,473
Add/(Less): Interest and (other income)/expenses	(34,831)	(34,831)	(99,391)	(99,391)
EBITDA		16,026,666		19,838,082

Fair-value adjustments

As at March 31, 2014, the following items on the statement of financial position were subject to fair-value adjustments in accordance with IAS 39:

Financing warrants–During the year ended December 31, 2012, the Company issued 3,050,000 'financing' warrants to specific service providers as consideration for financing and other services that the Company received in prior years. Each financing warrant entitles the holder to receive from the Company a cash payment equal to the difference between the exercise price of the warrant and the market price of the Company's common shares at the time of exercise. No common shares are issuable upon the exercise of the warrants. These financing warrants are accounted as a liability and are marked to market at the end of each period until they are exercised or expire. During the three months ended March 31, 2014, no financing warrants were exercised. The Company recorded a fair value measurement loss of $106,832 for three months ended March 31, 2014. There were 982,100 financing warrants outstanding on March 31, 2014.

Currency option– During the year ended December 31, 2013, the Company's Australian subsidiary entered into 50% participating forward contracts for A$33 million (A$3 million per month) starting August, 2013, and ending June, 2014. This allows the subsidiary to buy, monthly for 11 months starting August, 2013, A$3 million at U$1=A$1.07526 (the "contract rate"), if the Australian dollar is stronger than the contract rate, or A$1.5 million at the contract rate and A$1.5 million at the spot rate if Australian dollar is weaker than the contract rate. The derivative financial instruments are stated at fair value with any resulting gain or loss recognized in profit and loss. The Company recorded a fair value measurement gain of $211,575 for three months ended March 31, 2014.

The above items are non-operating in nature and the following tables summarize the impact of these changes.

Fair value and deferred tax adjustments impact on items in the statement of financial position

	Before fair value and deferred tax adjustments [(a)]	Note	Fair value and deferred tax adjustments Q1 2014	As of March 31, 2014 [(a)]	As of December 31, 2013 [(a)]
	$		$	$	$
Assets					
Deferred tax	10,213,390	(b)	(1,552,318)	8,661,072	9,985,278
Liabilities					
Derivative financial instrument (currency options)	226,429	(c)	(211,575)	14,854	360,128
Derivative financial instrument (financing warrants)	417,386	(d)	106,832	524,218	433,984
Shareholders' equity					
Retained earnings/(deficit)	65,693,746		(1,447,575)	64,246,171	60,859,549

(a) Values are net of foreign exchange translation.

(b) The Company recorded a deferred tax expense of $1,552,318 for the three months ended March 31, 2014.

(c) The Company recorded fair value measurement gain of $211,575 relating to the currency option for the three months ended March 31, 2014.

(d) The Company recorded fair value measurement loss of $106,832 relating to financing warrants for the three months ended March 31, 2014.

Fair value and deferred tax adjustments impact on items in the income statement for three months ended March 31, 2014, and March 31, 2013

	March 31, 2014				March 31, 2013
	Underlying operations	Note	Fair value and deferred tax adjustments	Total	Total
	$		$	$	$
Income (loss) from operations	8,085,722			8,085,722	13,356,985
Other items					
Interest and other income	34,831			34,831	99,391
Finance (costs)/income	(234,635)	(a)	211,575	(129,892)	(373,396)
		(b)	(106,832)		
Foreign exchange gain (loss)	(52,143)			(52,143)	23,036
Net income/(loss) before tax	7,833,775		104,743	7,938,518	13,106,016
Current tax	(642,127)			(642,127)	(2,262,603)
Deferred tax		(c)	(1,552,318)	(1,552,318)	60,701
Net income/(loss)	7,191,648		(1,447,575)	5,744,073	10,904,114
Income (loss) per share					
Basic	0.02			0.02	0.03
Diluted	0.02			0.02	0.03

(a) The Company recorded fair value measurement gain of $211,575 relating to the currency option for the three months ended March 31, 2014.

(b) The Company recorded fair value measurement loss of $106,832relating to financing warrants for the three months ended March 31, 2014.

(c) The Company recorded a deferred tax expense of $1,552,318 for the three months ended March 31, 2014.

1.4 RESULTS OF OPERATIONS

Three Months Ended March 31, 2014, compared to Three Months Ended March 31, 2013

During the three months ended March 31, 2014, the Company recorded net income of $5,744,073 (net of fair value measurement gain of $104,743 and deferred tax expense of $1,552,318) compared to net income of $10,904,114 (net of fair value measurement loss of $169,470 and deferred tax recovery of $60,701) during the three months ended March 31, 2013. Mandalay achieved EBITDA of $16,026,666 for the quarter ended March 31, 2014, compared to $19,838,082 in the quarter ended March 31, 2013. The decrease in EBITDA and net income was principally due to the decrease in metal prices resulting in lower revenue and higher operating costs and higher depreciation and depletion charges associated with higher volumes sold. However, the unit costs during the first quarter of 2014 were lower compared to the corresponding quarter of the previous year at both Costerfield and Cerro Bayo due to cost efficiencies achieved as a result of the success of well-designed process improvements and their continuous refinement.

Administrative expenses for the quarter ended March 31, 2014, were $1,415,813 compared to $1,644,724 during the quarter ended March 31, 2013. During the three months ended March 31, 2014, administration expenses of $578,579 at Corporate included $388,791 in management fees, $109,868 in audit and internal review fees, $110,764 in travel expense, $90,129 in legal and accounting fees, $209,255 in investor relations and transfer agent and filing fees, $27,195 in consulting fees and a $435,474 credit due to charge back of executive bonus to business units.

Capital expenditure in the first quarter of 2014, including capitalized depreciation and exploration, was $10,658,515. Of this amount, $3,790,599 was spent at Cerro Bayo, $6,322,044at Costerfield, $341,182 atLa Quebrada,$198,744at Challacollo and $5,946 on others. By comparison, capital expenditure in the first quarter of 2013 was $12,451,626.The decrease in capital expenditure in the first quarter of 2014 relative to 2013waslargely due to comparatively lower expenditure incurred at Cerro Bayo on property, plant and equipment.

Costerfield Results, Production, Sales and Costs for the Three Months Ended March 31, 2014

Costerfield generated revenue of $15,967,005 for the quarter ended March 31, 2014. Income from mine operations before depreciation and depletion was $6,828,786, EBITDA was $6,589,500, net income after tax was $1,389,272 and operating net income was $2,197,823 during the period. For the quarter ended March 31, 2013, revenue was $17,369,493, income from mine operations before depreciation and depletion was $7,359,425, EBITDA was $7,077,021, net income after tax was $1,303,151 and operating net income was $3,358,939. Lower realized prices in 2014, partially offset by higher gold sold resulted in lower revenue compared to the same period of last year. EBITDA and net income were lower as well, due to impacts of lower revenue and higher costs associated with higher volumes.

Costerfield financial results

	Three months ended March 31, 2014 $	Three months ended March 31, 2013 $
Revenue	15,967,005	17,369,493
Cost of sales	9,138,219	10,010,068
Income from mine operations before depreciation and depletion	6,828,786	7,359,425
Depreciation and depletion	3,337,052	2,583,368
Income from mine operations	3,491,734	4,776,057
Administration (1)	334,007	396,771
Business development costs	10,290	-
EBITDA (2)(4)	6,589,500	7,077,021
Finance costs, foreign exchange and others (3)	680,795	2,153,058
Income/(loss) before tax	2,466,642	2,226,228
Current tax expense	-	-
Deferred tax expense (recovery)	1,077,370	923,077
Operating net income/(loss) after tax(4)	2,197,823	3,358,939
Net income/(loss) after tax	1,389,272	1,303,151
Capital expenditure (5)	6,322,044	5,406,081

[1]Includes intercompany transfer pricing re-charge costs of $105,011 in 2014 and $114,367 in 2013.

[2]Does not include intercompany transfer pricing recharge costs.

[3]Others includes such items as mark to market derivative adjustments, write off of mineral properties, exploration and evaluation, share based compensation, gain/loss on disposals of properties and intercompany transfer pricing recharge costs of $389,505 in 2014 and $1,635,191 in 2013.

[4]EBITDA and operating net income/(loss) after tax are non-IFRS performance measures. Refer to Section 1.16 "Non-IFRS measures" on page 31 for further information.
[5]Includes capitalized depreciation on equipment.

Costerfield operating net income/(loss) after tax reconciliation to net income/(loss) after tax

	Three months ended March 31, 2014 $	Three months ended March 31, 2013 $
Net income/(loss) after tax	1,389,272	1,303,151
Add: Intercompany expenses		
Intercompany interest expense	314,035	306,230
Intercompany transfer pricing recharge costs	494,516	1,749,558
Operating net income/(loss) after tax	2,197,823	3,358,939

Costerfield operating statistics

The following table summarizes certain aspects of production, sales, costs and capital investment activities at Costerfield.

	Unit	Three months ended March 31, 2014	Three months ended March 31, 2013
Mining Production and Mining Cost			
Operating development	m	1,121	1,405
Mined ore	t	38,499	25,865
Ore mined Au grade	g/t	8.15	9.08
Ore mined Sb grade	%	3.60	4.80
Mined contained Au	oz	10,090	7,548
Mined contained Sb	t	1,387	1,242
Mining cost per tonne ore	$/t	180	263
Processing and Processing Cost			
Processed ore	t	37,202	26,578
Mill head grade Au	g/t	8.31	9.43
Mill head grade Sb	%	3.65	4.77
Recovery Au	%	90.75	89.80
Recovery Sb	%	94.18	95.91
Concentrate produced	dry t	2,397	2,285
Concentrate grade Au	g/t	59.42	86.14
Concentrate grade Sb	%	53.29	53.21
Au produced in gravity concentrate	oz	4,400	919
Au produced in sulfide concentrate	oz	3,515	5,284
Saleable Au produced	oz	7,915	6,203
Saleable Sb produced	t	858	766
Saleable Au equivalent produced	oz	14,391	11,432
Processing cost per tonne ore	$/t	47.65	65.54
Sales			
Concentrate sold	dry t	1,844	2,238
Concentrate Au grade	g/t	59.08	86.48
Concentrate Sb grade	%	53.70	53.52
Au sold in gravity concentrate	oz	4,549	684
Au sold in sulfide concentrate	oz	2,498	5,197
Au sold	oz	7,046	5,881
Sb sold	t	624	755
Benchmark Unit Cost			
Site cash operating cost/ tonne ore processed(1)	$/t	303.53	400.45
Site cash operating cost/tonne concentrate produced(1)	$/t	4,711	4,657
EBITDA/tonne ore milled(1)	$/t	177	266
EBITDA/tonne concentrate produced(1)	$/t	2,753	3,097
Cash cost per oz Au equivalent produced(1)(2)	$/oz	800.02	947.68
Site all-in cost/oz Au eq. oz produced(1)(3)	$/oz	1,051.76	1,177.42
Capital Spending			
Capital development	m	490	438
Capital development cost	$000	2,548	2,202
Capital development cost/meter	$/m	5,205	5,028
Capital purchases	$000	2,708	1,980
Capitalized exploration	$000	1,066	1,224

[1]Does not include intercompany transfer pricing recharge costs and business development costs.
[2]Cash cost per ounce of gold equivalent produced is a non-IFRS performance measure. Refer to Section 1.16"Non-IFRS Measures" on page 31 for further information.
[3]Site all-in cost per ounce of gold equivalent produced is a non-IFRS performance measure. Refer to Section 1.16"Non-IFRS Measures" on page 31 for further information.

Three months ended March 31, 2014 and March 31, 2013

The Costerfield mine completed 1,121 m of operating development in the first quarter of 2014 versus 1,405 m in 2013, with record ore mined at 38,499 t versus 25,865 t in the first quarter of the previous year. The mined grade of gold in 2014 was 8.15 g/t versus 9.08 g/t in 2013, while the mined grade of antimony was 3.60% Sb in 2014 versus 4.80% Sb in 2013. Mining costs were $180/t in 2014 versus $263/t in the previous year. The increase in tonnage and the decrease in costs are due to better stope performance as stope height was increased to seven meters for N Lode, relatively better cost control and the effect of lower exchange rates and economies of scale.

Capital development advance was 490 m in 2014 compared to 438 m in 2013; the cost in 2014 was $5,205/m versus $5,028/m in 2013. Capital development cost in 2014 includes costs of about $0.8 million related to completion of the Cuffley Return Air Raise ('RAR').

In the first quarter of 2014, the Costerfield concentrator processed 37,202 t versus 26,578 t in the first quarter of 2013. The head grades of gold in 2014 were 8.31 g/t Au versus 9.43 g/t Au in 2013 while head grades of antimony were 3.65% in 2014 versus 4.77% in 2013. The plant achieved recoveries of90.75% gold and 94.18% antimony versus 89.80% gold and 95.91% antimony in 2013. The higher plant throughput resulted from higher feed rate from the mine. Processing costs in 2014 were $47.65/t, significantly lower than the $65.54/t incurred during the prior year period principally due to greater volume treated.

Concentrate production was 2,397 dry metric tonnes ("dmt") during the first quarter of 2014 versus 2,285 dmt for three months of 2013. Total saleable metal production in 2014 was 858 t Sb and 7,915oz Au for the corresponding three months of 2013. The proportion of gold recovered to gravity rather than flotation concentrate increased as a result of a full quarter of operation of the new gold room.

During the first quarter of 2014, Costerfield sold 1,844 dmt of concentrate compared to 2,238 dmt in prior year period. A total of 7,046 oz of saleable Au and 624 t saleable Sb were sold in 2014 versus 5,881 oz of saleable Au and 755 t of saleable Sb in 2013.Less concentrate was sold in 2014 due to timing of shipments causing a temporary increase in concentrate inventory at the end of the quarter. This excess inventory is expected to be reduced by greater shipments during the second quarter. The lower quantity of gold sold in sulfide concentrate (2,497 oz in 2014 versus 5,197 oz in 2013) was more than offset by higher gold sold in gravity concentrate (4,549 oz in 2014 versus 684 oz in 2013) resulting in more total gold sold than in the prior year quarter.

Site cash operating cost of ore processed was $303.53/t in the first quarter of 2014, compared to $400.45/t in the first quarter of 2013.The decline resulted from higher volumes and cost efficiencies. This translates into a lower cash cost per Au Eq. oz produced ($800/oz in 2014 compared to $948/oz in 2013) and lower site all-in cost per Au Eq. oz produced ($1,052/oz in 2014 compared to $1,177/oz in 2013).

During the first quarter of 2014, the Company invested $2,548,052 in capital development, $1,065,716 in exploration and $2,708,276 in property, plant and equipment at Costerfield. The corresponding amounts for the prior year quarter were $2,202,385, $1,224,071 and $1,979,625 respectively. The expenditure on property, plant and equipment during the first quarter of 2014 includes expenditure on Cuffley power and ventilation installation.

Cerro Bayo Results, Production, Sales and Costs for the Three Months Ended March 31, 2014

Cerro Bayo generated revenue of $22,124,839 for the quarter ended March 31, 2014. Income from mine operations before depreciation and depletion was $10,887,528, EBITDA was $10,279,290, net income after tax was $4,363,414 and operating net income was $5,068,502 for the period. For the quarter ended March 31, 2013, revenue was $24,255,195, income from mine operations before depreciation and depletion was $14,272,240, EBITDA was $13,872,200, net income after tax was $6,145,066 and operating net income was $9,107,008. Lower revenue was mainly due to lower metal prices, largely offset by greater volumes sold. EBITDA and net income were lower than the prior year quarter due to combined impact of lower revenue and higher costs associated with higher volumes sold.

Cerro Bayo financial results

	Three months ended March 31, 2014 $	Three months ended March 31, 2013 $
Revenue	22,124,839	24,255,195
Cost of sales	11,237,311	9,982,955
Income from mine operations before depreciation and depletion	10,887,528	14,272,240
Depreciation and depletion	3,947,129	3,263,231
Income from mine operations	6,940,399	11,009,009
Administration (1)	816,579	546,287
EBITDA (2)(4)	10,279,290	13,872,200
Finance costs, foreign exchange and others (3)	643,331	3,038,831
Income/(loss) before tax	5,480,489	7,423,891
Current tax expense	642,127	2,262,603
Deferred tax expense (recovery)	474,948	(983,778)
Operating net income/(loss) after tax(4)	5,068,502	9,107,008
Net income/(loss) after tax	4,363,414	6,145,066
Capital expenditure (5)	3,790,600	6,603,393

[1]Includes intercompany transfer pricing recharge costs of $208,341 in 2014 and $146,247 in 2013.

[2]Does not include intercompany transfer pricing recharge costs.

[3]Others includes such items as mark to market derivative adjustments, write off of mineral properties, exploration and evaluation, share based compensation, gain/ (loss) on disposals of properties and intercompany transfer pricing recharge costs of $496,747 in2014 and $2,815,695 in 2013.

[4]EBITDA and operating net income/(loss) after tax are non-IFRS performance measures. Refer to Section 1.16"Non-IFRS Measures" on page 31 for further information.

[5]Includes capitalized depreciation on equipment.

Cerro Bayo operating net income/(loss) after tax reconciliation to net income/(loss) after tax

	Three months ended March 31, 2014 $	Three months ended March 31, 2013 $
Net income/(loss) after tax	4,363,414	6,145,066
<u>Add: Intercompany expenses</u>		
Intercompany interest expense	-	-
Intercompany transfer pricing recharge costs	705,088	2,961,942
Operating net income/(loss) after tax	5,068,502	9,107,008

Cerro Bayo operating statistics

The following table summarizes certain aspects of production, sales, costs and capital investment activities at Cerro Bayo.

	Unit	Three months ended March 31, 2014	Three months ended March 31, 2013
Mining Production and Mining Cost			
Operating development	m	1,464	1,782
Mined ore	t	105,216	92,689
Ore mined Au grade	g/t	1.86	1.75
Ore mined Ag grade	g/t	251.70	233.30
Mined contained Au	oz	6,284	5,205
Mined contained Ag	oz	851,427	695,235
Mining cost per tonne ore	$/t	51.08	59.21
Processing and Processing Cost			
Processed ore	t	104,668	94,575
Mill head grade Au	g/t	1.84	1.75
Mill head grade Ag	g/t	251.56	232.99
Recovery Au	%	87.25	85.49
Recovery Ag	%	91.03	89.32
Concentrate produced	dry t	2,084	1,782
Concentrate grade Au	g/t	80.73	79.63
Concentrate grade Ag	g/t	11,500.63	11,062.35
Saleable Au produced	oz	5,280	4,432
Saleable Ag produced	oz	743,569	611,441
Saleable Au equivalent produced	oz	17,058	15,696
Processing cost per tonne ore	$/t	25.76	27.51
Sales			
Concentrate sold	dry t	2,209	1,796
Concentrate Au grade	g/t	69.30	73.33
Concentrate Ag grade	g/t	11,267.19	11,338.84
Au sold	oz	4,804	4,115
Ag sold	oz	772,116	631,736
Benchmark Unit Cost			
Site cash operating cost/ tonne ore processed(1)	$/t	91.81	105.94
Site cash operating cost/tonne concentrate produced(1)	$/t	4,611	5,624
EBITDA/tonne ore milled(1)	$/t	98	147
EBITDA/tonne concentrate produced(1)	$/t	4,932	7,787
Cash cost per oz Ag produced net of Au byproduct credit(1)(2)	$/oz	5.81	8.96
Site all-in cost net of gold credit /oz Ag produced(1)(3)	$/oz	11.31	14.06
Capital Spending			
Capital development	m	500	588
Capital development cost	$000	1,671	2,181
Capital development cost/meter	$/m	3,344	3,712
Capital purchases	$000	1,396	3,628
Capitalized exploration	$000	724	795

[1]Does not include intercompany transfer pricing recharge costs and business development costs.
[2]The cash cost per ounce of silver produced net of gold byproduct credit is a non-IFRS performance measures. Refer to Section 1.16“Non-IFRS Measures” on page 31 for further information.
[3]Site all-in cost per ounce of silver produced net of gold byproduct credit is a non-IFRS performance measure. Refer to Section 1.16 “Non-IFRS Measures” on page 31 for further information.

Three months ended March 31, 2014 and March 31, 2013

During the first quarter, Cerro Bayo reached its planned 1,400 tonnes per day production rate as most of the supporting capital development was substantially complete. The Cerro Bayo mine produced

105,216 t of ore in the first quarter 2014 versus 92,689 t of ore in 2013. Mined grades were 251.70 g/t for silver and 1.86 g/t for gold in 2014 versus 233.30 g/t for silver and 1.75 g/t for gold in 2013. During 2014, 1,464 m of operating development were completed versus 1,782 m in the 2013 comparable period. The increase in tonnes resulted from higher extraction of ore from production stopes, at lower operational development rates, with Fabiola and Delia North West veins being the main contributors to the increased tonnages. Mining cost in the first quarter of 2014 was $51.08/t, lower than the $59.21/t in the first quarter of 2013, largely due to higher tonnes mined and advantageous of currency exchange rates.

During the first quarter of 2014, the Cerro Bayo concentrator processed 104,668 t of ore with grades of 251.56 g/t Ag and 1.84 g/t Au, compared to 94,575 t of ore with grades of 232.99 g/t Ag and 1.75 g/t Au during the first quarter of 2013. Higher metallurgical recoveries were achieved during the first quarter of 2014 at 87.25% for Au and 91.03% for Ag versus 85.49% of Au and 89.32% of Ag in the prior year comparable period. The plant flotation section has now been fully optimized to maximize recovery at the design concentrate silver grade using the automation equipment installed last year. Higher plant throughput resulted in lower cost per tonne of $25.76/t in the first quarter of 2014 versus $27.51/t in the first quarter of 2013.

Cerro Bayo produced 2,084 dmt of concentrate containing 743,569 oz saleable Ag and 5,280 oz saleable Au in the first quarter of 2014, as compared to 1,782 dmt of concentrate containing 611,441 oz saleable Ag and 4,432 oz saleable Au in the comparable 2013 period.

During the first quarter of 2014, Cerro Bayo sold 2,209 dmt of concentrate containing 4,804 oz of saleable Au and 772,116 oz saleable Ag. Sales during the comparable quarter of 2013 were 1,796 dmt of concentrate containing 4,115 oz of saleable Au and 631,736 oz of saleable Ag. Higher production resulted in higher sales during the quarter.

Site cash operating cost was $91.81/t of ore processed in the first quarter of 2014, compared to $105.94/t in the first quarter of 2013. The decline in costs was largely driven by higher production, good cost performance and favorable currency exchange rates. In addition, the impact of higher grades resulting in higher metal produced further translated into a low cash cost of $5.81/oz Ag net Au credit in the first quarter of 2014,compared to $8.96/oz in the first quarter of 2013. Site all-in cost of $11.31/oz Ag net of Au credit in the first quarter of 2014 was lower than the $14.06/oz reported in the first quarter of 2013.

During the first quarter of 2014, the Company invested $1,670,968 in mine development versus $2,181,039 in 2013. The Company spent $1,395,771 for the purchase of property, plant and equipment in 2014 versus $3,627,746 in 2013. The Company spent $723,860 on exploration versus $794,608 in the first quarter of 2013.

La Quebrada

Spending on exploration at La Quebrada was $341,182 during the first quarter of 2014. The corresponding amount for the prior year quarter was $442,152.

Challacollo

During the first quarter of 2014 the Company spent $165,041 on exploration and $33,703 on property, plant and equipment.

Markets- Currency Exchange Rates

The average currency exchange rates for the reporting period are summarized in the table below.

CURRENCY	Average rate January 1, 2014 to March 31, 2014	Average rate January 1, 2013 to March 31, 2013
1A$ = C$	0.9896	1.0474
1A$ = US$	0.8970	1.0388
1 US$ = C$	1.1033	1.0080
1 US$ = Chilean Peso	552.13	472.26

The U.S. dollar has strengthened in relation to the Australian dollar, the Chilean peso and the Canadian dollar resulting in favorable impact on the financials of the Company.

Markets - Commodity Prices

The average market and realized commodity prices for the reporting period are summarized in the table below. Market prices of gold, silver and antimony were lower in the first quarter of 2014 compared to the first quarter of 2013. Realized prices were favourably impacted by the application of the Company's policy for adjustments with respect to open concentrate shipments at forward prices (see "Critical Accounting Policies - Revenue recognition" below). This resulted in realized prices in the first quarter of 2014 being marginally higher than relative average market prices.

COMMODITY	Average rate January 1, 2014 to March 31, 2014	Average rate January 1, 2013 to March 31, 2013
Realized gold US$/oz[1]	1,353	1,587
Gold- US$/oz - Average London Daily PM close (Metal Bulletin)	1,292	1,630
Realized antimony US$/tonne[1]	10,239	10,358
Antimony US$/tonne - Rotterdam Warehouse (Metal Bulletin)	9,758	11,128
Realized silver price US$/oz[1]	20.29	28.40
Silver US$/oz - Average London Daily PM close (Metal Bulletin)	20.47	30.03

[1]Includes the effect of prior period smelter revenue adjustment on sales revenue and realized prices for the period.

1.5 SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's quarterly financial statements for the past eight quarters.

Particulars	March 31, 2014 $	December 31, 2013 $	September 30, 2013 $	June 30, 2013 $
Revenue	38,091,844	39,058,143	50,319,270	35,903,497
Income/(loss)	5,744,073	4,435,066	10,998,651	3,104,793
Income/(loss) per share - Basic	0.02	0.01	0.03	0.01
Income/(loss) per share - Diluted	0.02	0.01	0.03	0.01

Particulars	March 31, 2013 $	December 31, 2012 $	September 30, 2012 $	June 30, 2012 $
Revenue	41,624,688	55,699,764	48,847,630	46,538,713
Income/(loss)	10,904,114	22,375,166	9,011,008	19,246,828
Income/(loss) per share - Basic	0.03	0.07	0.03	0.07
Income/(loss) per share - Diluted	0.03	0.06	0.03	0.05

Since the acquisition of the Costerfield mine in December, 2009, and of the Cerro Bayo mine in August, 2010, the Company's results have been, and are expected to continue to be, influenced by the operational results of the Costerfield and Cerro Bayo mines. Financial results are impacted by the levels of gold, silver and antimony production, the costs associated with that production and the prices received for metal in concentrate. Metal prices are determined using prevailing international prices for gold, silver and antimony. The Company's products are sold in U.S. dollars, whereas the majority of mine costs are in Australian dollars (at Costerfield) and Chilean pesos (at Cero Bayo).The Company's results will be impacted by exchange rate variations during the reporting periods. The Company has entered into partial foreign exchange hedges to limit exposure to exchange rate fluctuations (see section "Currency option" on page 12).

The general trend of increasing metal sales volumes represents the ramp-up of Costerfield production under Mandalay ownership and the acquisition, restart, and ramp-up of the Cerro Bayo mine. Volatility in revenue and earnings over the past two years is due to combined impact of changes in volumes, fluctuations in metal prices, changes in value of the unexpired portion of the Company's gold and silver puts during 2012 and variability in the Company's schedule of shipments from Cerro Bayo as a result of external factors such as the 2012 Aysen labour protests.

1.6 LIQUIDITY, SOLVENCYAND USES OF CASH

At March 31, 2014, the Company had working capital of $45,191,532 compared to $47,206,924 at December 31, 2013. The Company had cash and cash equivalents of $19,995,046 at March 31, 2014, as compared to $33,465,116 at December 31, 2013.

In the future, the Company expects to continue to fund operational requirements through a combination of internally generated cash flow, joint venture arrangements for its projects, debt offerings and equity financing.

The Company continuously reviews operational results, expenditures and additional financial opportunities in order to ensure adequate liquidity and flexibility to support its growth strategy while maintaining or increasing production levels at its current operations.

1.7 CONTRACTUAL COMMITMENTS AND CONTINGENCIES

On June 28, 2013, the Company amended the secured revolving credit facility with Bank of Montreal (BMO) that it originally entered into on May 30, 2012. Under the amendment, the facility's credit limit has been increased from US$20 million to US$30 million until June 30, 2014 and will reduce to US$20 million thereafter. In addition, the maturity date of the facility has been extended to June 30, 2015. The credit facility is for general corporate purposes, including working capital, capital expenditures and certain specified acquisitions. It is subject to an interest rate based on the lender's borrowing cost of the London Interbank Offered Rate (LIBOR) plus a variable margin of between 2.25% and 3.25%. Unused credit facility balances are subject to a standby fee at the rate of 0.75%. The credit facility is secured by all of the Company's assets. Mandalay is compliant with its financial covenants. No amounts were drawn under the credit facility as of March 31, 2014.

The Company had no outstanding debt as at March 31, 2014.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.9 TRANSACTIONS WITH RELATED PARTIES

The Company had no related party transactions.

1.10 CRITICAL ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, the recoverability of trade and other receivables, measurement of revenue and trade receivables, the proven and probable ore reserves and resources of mining properties and the related depletion and amortization amounts, the estimated tonnes of waste material to be mined and the estimated recoverable tonnes of ore from each mine area, the assumptions used in the accounting for stock-based compensation, valuation of warrants, the provision for income and mining taxes and composition of future income and mining tax assets and liabilities, the expected economic lives of and the estimated future operating results and net cash flows from mining interests, the anticipated costs of reclamation and other closure cost obligations, the fair value measurement of derivative financial instruments and silver note, and the fair value of assets and liabilities acquired in business combinations.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of metals is recognized when all of the following conditions are satisfied:

- the significant risks and rewards of ownership have been transferred to the purchaser;
- the Company does not retain continuing managerial involvement to the degree usually associated with ownership or effective control over the metals sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Sales of certain commodities are provisionally priced such that the price is not settled until a pre-determined future date based on the market price at that time. Revenue on these sales is initially recognized (when the above criteria are met) at the current market price. Provisionally priced sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. This mark-to-market adjustment is recognized in revenue.

Inventories

Finished goods, work-in-process and stockpiled ore are valued at the lower of average production cost or net realizable value. Production costs include the cost of raw materials, direct labor, mine-site overhead expenses and depreciation and depletion of mining interests. Net realizable value is calculated as the estimated price at the time of sale based on prevailing and long-term metal prices less estimated future production costs to convert the inventories into saleable form.

Work-in-process inventory represents materials that are currently in the process of being converted into finished goods. The average production cost of finished goods represents the average cost of work in-process inventories incurred prior to the refining process, plus applicable refining costs and associated royalties.

Supplies are valued at the lower of average cost and net realizable value.

The estimates and assumptions used in the measurement of work-in-process inventories include saleable ounces of gold, silver and antimony and the gold, silver and antimony prices to be realized when the metal is sold. If these estimates or assumptions prove to be inaccurate, the Company could be required to write down the carrying amounts of its work-in-process inventories, which would reduce the Company's earnings and working capital.

Property, plant and equipment

Exploration and Evaluation

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized within property, plant and equipment.

The Company records its capitalized exploration and evaluation at cost. The capitalized cost is based on cash and the value of share considerations paid for the property and exploration costs incurred on the property. The recorded amount may not reflect recoverable values as this will be dependent on the results of exploration and development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

All costs related to the acquisition, exploration and evaluation of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are moved into development or production, sold, or management has determined there to be an impairment of the value.

Management reviews the carrying value of capitalized exploration and evaluation costs at least annually. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property. In some cases, the undeveloped properties are regarded as successors to ore bodies currently in production. Where this is the case, it is intended that these will be developed and be put into production when the current source of ore is exhausted or to replace the reduced output.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to mining interests within property, plant and equipment.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all unrecoverable costs associated with the project are written off.

Mining Interests

Mining interests represent capitalized expenditures related to the development of mining properties, acquisition costs, capitalized borrowing costs, expenditures related to exploration and evaluation transferred in and estimated site closure and reclamation costs.

Capitalized costs are depleted using the unit-of-production method over the estimated economic life of the mine to which they relate.

Plant and equipment

Plant and equipment are recorded at cost less accumulated depreciation and impairment charges.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Depreciation

Mining interests are depreciated using the unit-of-production method based on the estimated total recoverable metal contained in proven and probable reserves at the related mine when the production level intended by management has been reached.

The production level intended by management is considered to be reached when operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and there are indicators that these operating results will be sustained. Other factors include one or more of the following:

- a significant utilization rate of plant capacity has been achieved;
- a significant portion of available funding is directed towards operating activities;
- a pre-determined, reasonable period of time of stable operation has passed; and
- a development project significant to the primary business objective of the Company has been completed and significant milestones have been achieved.

Management reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment at the end of each reporting period and when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

Plant and equipment cost is depreciated using the straight-line method or diminishing-balance method over their estimated useful lives if their lives are shorter than the mine life; otherwise they are depreciated on the unit-of-production basis.

Site closure and reclamation cost obligations

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate. The liability is recognized at the time environmental disturbance occurs and the resulting costs are capitalized to the corresponding asset. The provision for site closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports prepared by third party industry specialists and discounted at a pre-tax rate specific to the liability. The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows.Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows.

Changes in site closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of mine.

Reserve estimates

The Company estimates its ore reserves and mineral resources based on information compiled by Qualified Persons as defined in accordance with Canadian Securities Administrators National Instrument 43-101 - Standards for Disclosure of Mineral Projects ("NI 43-101"). Reserves are used in the calculation of depreciation and amortization, impairment assessment, assessment of life of mine stripping ratios and for forecasting the timing of payment of mine closure, reclamation and rehabilitation costs.

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Income taxes

The Company uses the liability method of accounting for income taxes. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and on the carry forward of tax losses and tax credit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

For subsidiaries, the Company recognizes a deferred tax asset for deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized. The Company recognizes a deferred tax liability for taxable temporary differences associated with investments in subsidiaries, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

1.11FINANCIAL INSTRUMENTS

General

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, reclamation and other deposits, derivative financial instruments, trade and other payables. The Company also periodically uses financial instruments to protect itself against future downward fluctuations in the prices of gold, silver and antimony and against currency exchange rate fluctuations. See "Hedging Activities" below.

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The Company has credit risk which is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable and derivative financial instruments. The Company closely monitors extensions of credit and has not experienced significant credit losses in the past. As at March 31, 2014, the Company had no past overdue trade receivables.

The Company invests its excess cash principally in highly rated government and corporate debt securities. The Company has established guidelines related to diversification, credit ratings and maturities that maintain safety and liquidity. These guidelines are periodically reviewed by the Company's audit committee and modified to reflect changes in market conditions.

The Company is subject to interest rate risk on its cash and cash equivalents and believes that its results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short term nature of the investments. Excess cash is invested in highly rated investment securities at fixed interest rates with varying terms to maturity but generally with maturities of three months or less from the date of purchase.

The Company reports its financial statements in U.S. dollars; however, the Company has extensive operations in the Australia and Chile. As a consequence, the financial results of the Company's operations as reported in U.S. dollars are subject to changes in the value of the U.S. dollar relative to the Australian dollar and Chilean peso. The Company has entered into foreign exchange hedges to limit exposure to exchange rate fluctuations. The Company's management assesses the Company's strategy towards its foreign exchange rate risk as needed, depending on market conditions.

Hedging Activities

The Company's earnings and cash flows are subject to price risk due to fluctuations in the market prices of antimony, gold and silver. World antimony, gold and silver prices have historically fluctuated widely, being affected by numerous factors beyond the Company's control, including:

- the strength of the U.S. economy and the economies of other industrialized and developing nations;
- global or regional political or economic crises;
- the relative strength of the U.S. dollar and other currencies;
- expectations with respect to the rate of inflation;
- interest rates;
- purchases and sales of gold and silver by central banks and other holders;
- demand for jewelry containing gold and silver;
- industrial demand for antimony (mostly for flame retardants) versus supply, largely controlled by China; and
- investment activity, including speculation, in gold and silver as commodities.

The Company occasionally purchases derivative financial instruments to protect itself against future downward fluctuations in the prices of gold and silver.

1.12OTHER MD&A REQUIREMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS

I. Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. During the second quarter of 2011, the Company finished implementing Sage AccPac Enterprise Resource Planning (ERP) software to strengthen internal control and reporting. Sage AccPac implementation combined with improvements in the monthly close process provides information to the senior management for appropriate decision making.

II. Internal Controls and Financial Reporting

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. The Company evaluated the design and operational effectiveness of its internal controls over financial reporting as defined under NI 52-109 for the quarter ended March 31, 2014. The Company's controls include policies and procedures that:

- relate to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

The Company's management, including its Chief Executive Officer and Chief Financial Officer, has evaluated the design and operational effectiveness of the Company's internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission.

With the help of Sage AccPac ERP system that the Company implemented in 2011, the Company has been implementing complete segregation of duties. It has appointed KPMG to conduct an internal audit review of the Company. This is designed to further identify the gaps in internal control procedures and help create internal policy documents as necessary.

The table below is a summary of key internal control issues, their potential impact and the actions the Company is taking to remedy:

<table>
<tr><th>Internal control weakness</th><th>Potential impact of the weakness on the issuer's financial reporting and its ICFR</th><th>Current plan or actions being undertaken for remediating the potential material weakness</th></tr>
<tr><td>Complete segregation of duties</td><td>Accuracy and possible fraud</td><td rowspan="2">KPMG are the internal auditors since 2011. Management has documented and taken adequate corrective actions to address the issues identified by auditors in each financial year.

The areas proposed to be covered during 2014 internal audit would be related to the following broad categories:
• Financial and management reporting.
• Enterprise risk management.
• Heath, safety and environment.
• Life of Mine (planning, reporting and monitoring).
• Rotables and repairs including off site repairs and critical spares/stock.</td></tr>
<tr><td>Collusion</td><td>Financial loss to the Company</td></tr>
</table>

III. Limitation of Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

1.13OUTSTANDING SHARES

As of the date of this MD&A, the Company had 341,073,253 common shares issued and outstanding. The weighted average number of shares outstanding during the first quarter used for the calculation of per share results was 331,685,704.

Outstanding incentive stock options that could result in the issuance of additional common shares at the respective dates as of the date of this MD&A are as follows:

Exercise Price CND$	As of March 31, 2014	As of May 5, 2014	Expiry Date
0.98	4,435,000	4,435,000	March 24, 2019
1.13	4,137,500	4,137,500	March 18, 2018
0.83	3,797,500	3,797,500	March 9, 2017
0.70	490,000	490,000	December 2, 2016
0.76	450,000	450,000	July 4, 2016
0.58	370,000	370,000	April 11, 2016
0.56	3,250,000	3,100,000	March 11, 2016
0.26	1,053,500	878,500	August 26, 2015
0.31	50,000	50,000	September 7, 2015
0.33	300,000	300,000	October 6, 2015
0.255	1,550,000	950,000	December 07, 2014
Total	**19,883,500**	**18,958,500**	

During the quarter ended March 31, 2014, the Company issued 4,435,000 stock options, 325,000 options were forfeited and 299,000 options were exercised. There were 19,883,500 options outstanding as of March 31, 2014, which could result in issuance of shares.

Outstanding share purchase warrants that could result in the issuance of additional common shares as of March 31, 2014, and as of the date of this MD&A are as follows:

Exercise Price C$	As of March 31, 2014	As of May 5, 2014	Expiry Date
0.31	14,650,000	14,650,000	November 30, 2014
0.47	1,250,000	1,250,000	November 30, 2014
Total	**15,900,000**	**15,900,000**	

During the quarter ended March 31, 2014, 5,100,000 warrants were exercised. The number of warrants outstanding as of March 31, 2014, was 15,900,000.

During 2013, the Company adopted a Restricted Share Unit Plan (the “RSU Plan”) and granted Restricted Share Units (“RSUs”) to certain directors. Under the RSU Plan, those directors granted RSUs receive the Company’s common shares at no cost at the end of vesting periods. Each RSU entitles the holder to one common share. The number of granted RSUs is subject to an upward adjustment based on the Company’s dividend declarations during the vesting period. The number of RSUs as at March 31, 2014 is as follows:

	Number of RSU awards
Balance, December 31, 2013	306,560
Granted	2,570
Outstanding at March 31, 2014	309,130

1.14 QUALIFIED PERSONS

Disclosures of a scientific or technical nature in this MD&A in respect of each of the Company's material mineral resource properties were prepared by, or under the supervision of, the "qualified persons" (as that term is defined in NI 43-101) listed below:

Project	Qualified Person	Relationship to Mandalay Resources
Costerfield	Chris Gregory	Employee
Cerro Bayo	Ronald Luethe	Employee
La Quebrada	Ronald Luethe	Employee

1.15 FORWARD LOOKING STATEMENTS

Certain statements contained in this document constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mining industry risks; fluctuations in the market price of mineral commodities; project development; expansion targets and operational delays; environmental risks and hazards; requirement of additional financing; health and safety; uncertainty as to calculations of mineral deposit estimates; marketability; licenses and permits; title matters; governmental regulation of the mining industry; current global financial conditions; currency risk; uninsured risks; competition; repatriation of earnings; properties without known mineral reserves; dependence upon key management personnel and executives; dependence on major customers; infrastructure; litigation; potential volatility of market price of common shares; possible conflicts of interest of directors and officers of the Company; risk of dilution; payment obligations relating to properties; instability of political and economic environments; and integration of acquisitions.Specific reference is made to the Annual Information Form for a discussion of some of the factors underlying forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

1.16NON-IFRS MEASURES

Non-IFRS performance measures are included in this MD&A because the Company believes these are useful indicators to discuss and understand performance of the Company and its operations. These performance measures do not have a meaning within IFRS and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. These non-IFRS performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

Management uses EBITDA, income after tax from underlying operations and operating net income/(loss) after tax as measures of operating performance to assist in comparing the Company's ability to generate liquidity through operating cash flow to fund future working capital needs and fund future capital expenditures and to assist in measuring financial performance from period to period on a consistent basis. The Company believes that these measures are used by and are useful to investors and other users of the Company's financial statements in evaluating the Company's operating and cash performance because they allow for analysis of its financial results without regard to special, non-cash and other non-core items, which can vary substantially from company to company and over different periods.

The Company presents "cash cost" and "all-in costs" metrics for its gold and silver production because it believes that these measures assist investors and other users of the Company's financial statements in understanding the economics of the Company's gold and silver mining activities. Management also uses these metrics to assess Company's ability to meet short and long term financial objectives.

1. *EBITDA* - The Company defines EBITDA as earnings before interest, taxes, non-cash charges/(income) and finance costs. Refer to page 11 for reconciliation between EBITDA and net income.

2. *Income after tax from underlying operations* - The Company defines Income from underlying operations as net income after tax excluding non-cash, non-operating expense related to mark-to-market adjustment of currency option, financing warrants, silver and gold put options, silver note and deferred tax expense or recovery. Refer to page 13 for reconciliation between income from underlying operations and income from operations.

3. *Operating net income/(loss) after tax* -The Company defines operating net income/(loss) after tax as net income after tax before non-operating items such as intercompany interest expenses and all intercompany transfer pricing recharge costs. Refer to page 15 and 18 for reconciliation between operating net income after tax and net income after tax.

4. *Cash cost per ounce of gold equivalent produced*-Equivalent gold ounces produced is calculated by adding to gold ounces produced, the antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The total cash operating cost associated with the production of these equivalent ounces produced in the period is then divided by the equivalent gold ounces produced to yield the cash cost per equivalent ounce produced. The cash cost excludes royalty expenses. Values for 2013 have been re-calculated accordingly.

5. *Site all-in cost per ounce of gold equivalent produced*-Site all-in costs include total cash operating costs, royalty expense, depletion, depreciation, accretion and write-off of exploration and evaluation. Equivalent gold ounces produced is calculated by adding to gold ounces produced, the antimony tonnes produced times the average antimony price in the period divided by the average gold price in the period. The site all-in cost is then divided by the equivalent gold ounces produced to yield the site all-in cost per equivalent ounce produced.

6. *Cash cost per ounce of silver produced net of gold byproduct credit*-The cash cost per silver ounce produced net of gold byproduct credit is calculated by deducting the gold credit (which equals ounces gold produced times the realized gold price in the period) from the cash operating costs in the period and dividing the resultant number by the silver ounces produced in the period. The cash cost excludes royalty expenses.

7. *Site all-in cost per ounce of silver produced net of gold byproduct credit*-The site all-in cost per silver ounce produced net of gold byproduct credit is calculated by adding royalty expenses, depletion, depreciation, accretion and write-off of exploration and evaluation to the cash cost net of gold byproduct credit as calculated in note 6 above and dividing the resultant number by the silver ounces produced in the period.